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TRADE AND DEVELOPMENT BOARD

GENERALIZED SYSTEM OF PREFERENCES

Scheme of the United States of America

Amendment

The UNCTAD secretariat has received from the Office of the United States Trade Representative (USTR) the following announcement concerning new GSP beneficiaries under the United States scheme, as well as some information on technical rectifications:

"Four countries are being designated as beneficiaries under the generalized system of preferences (GSP), United States Trade Representative Carla A. Hills announced today.

"The GSP grants duty-free access to the United States to certain goods from developing countries.

"Namibia, which became an independent country on 21 March 1990, is being designated as a GSP beneficiary for the first time; the Central African Republic (CAR), Chile and Paraguay are being reinstated as beneficiaries. The designations are effective Wednesday, 6 February (1991).

"These actions reflect the Bush Administration's continuing efforts to administer the GSP in a manner that is responsive to the authorizing legislation's requirements and the economic needs of developing countries, Hills said.

"The CAR, Chile and Paraguay had been suspended from the GSP programme for their failure to provide internationally recognized worker rights, as required by the GSP statute. A USTR review begun in April 1990 to consider changes in the countries' laws and practices determined

that the countries now meet the worker rights requirements, in addition to the other statutory criteria.

"Other eligibility criteria include whether countries provide 'adequate and effective' protection of intellectual property. A USTR review of Chile's practices in this area, which included comments from the United States private sector, determined that Chile was making progress in providing improved protection.

"The four beneficiary countries can now export more than 4,230 products to the United States duty-free. For the first 11 months of 1990, the CAR exported $70,519 in GSP eligible products to the United States, Chile $131 million, Paraguay $21 million and Namibia $903,160.

"The CAR, Chile and Paraguay are the first suspended countries to be reinstated to the GSP programme. Four others remain ineligible for GSP as a result of prior worker rights determinations: Myanmar, Liberia, Nicaragua and Romania. The worker rights practices of eight other beneficiaries (Bangladesh, Benin, the Dominican Republic, El Salvador, Haiti, Nepal, Sudan and Syrian Arab Republic) are currently being reviewed, with decisions regarding their continued eligibility to be announced on or about 1 April.

"The Presidential Proclamation providing these countries with GSP also makes several technical changes regarding the GSP programme. These are described in the attached materials. 1/ Summaries of the worker rights determinations for the CAR, Chile and Paraguay are also available from USTR."

1/ See Annex.

Annex

The Central African Republic, Chile, Namibia and Paraguay

GSP BACKGROUND INFORMATION

The Generalized System of Preferences (GSP) offers preferential duty-free entry to some 4,230 products from 134 designated beneficiary developing countries and territories. The purpose of the GSP is to promote economic growth and development through trade, as opposed to aid. The GSP programme was authorized by the Trade Act of 1974 and was renewed and revised by the Trade and Tariff Act of 1984 through 4 July 1993. GSP duty-free imports totalled $10.0 billion in 1989 and $9.2 billion for the first ten months of 1990.

Designation of Namibia

On 21 March 1990, Namibia became an independent nation. Prior to independence, Namibia was administered by the Government of South Africa. On 7 June 1990, it requested designation as a GSP beneficiary. A notice announcing such a review was published on 2 August and public comments solicited. Based on information collected during the course of this review, the United States Government has determined from available information that Namibia meets GSP eligibility standards and may be designated as a beneficiary.

Namibia will be eligible to export all GSP products duty-free to the United States. For the first 11 months of 1990, its GSP exported were valued at $903,160, about 3 per cent of total United States imports from Namibia. The largest GSP eligible trade categories were fluorspar and unrefined copper.

Reinstatement of the Central African Republic, Chile and Paraguay

The GSP law was amended in 1984 to add a provision stating that the President may not designate a country as a beneficiary if it "has not or is not taking steps to afford internationally recognized worker rights to workers in the country." These rights include the right of association, the right to organize and bargain collectively, a prohibition on compulsory labour, a minimum age for the employment of children and acceptable conditions of work.

Since this provision was added to the law, seven GSP beneficiary countries have had their GSP benefits suspended or terminated after reviews conducted by the United States Government concluded they did not meet the worker rights standard. This includes the Central African Republic (CAR). suspended on 1 July 1989, Chile, suspended on 28 February 1988, and Paraguay, suspended on 4 March 1987. Other countries currently suspended or terminated are Myanmar, Liberia, Nicaragua, and Romania.

At the request of the Governments of the CAR, Chile and Paraguay, the GSP Sub-Committee conducted reviews to determine whether these countries now meet the eligibility standards of the GSP law. This review, the first to consider reinstatement, was announced in the Federal Register on 13 April 1990, and included a public hearing on 27 June and additional opportunities for public comment. The reviews have focused on the problems identified when the beneficiaries were suspended from GSP. As required by the GSP statute, however, all GSP eligibility criteria were considered as part of

each review. In the case of Chile, particular attention was paid to the standard regarding the extent to which it provides adequate and effective protection of intellectual property rights. Summaries of each worker rights reinstatement review are available from USTR.

The CAR, Chile and Paraguay were each found to meet the worker rights requirement of the GSP law and to be otherwise eligible for designation. As a result, the President has now reinstated the GSP eligibility of each as it existed prior to their suspension. In the case of the CAR, this included its reinstatement as a least developed country for purposes of the GSP. For Chile, this required its exclusion from GSP eligibility on certain products that had been excluded prior to its suspension, and one additional exclusion required by the GSP statute's competitive need limits. These decisions are described below.

The CAR and Paraguay may receive GSP duty-free treatment on all GSP eligible products. For the first 11 months of 1990, the CAR exported GSP eligible products valued at $700,519 to the United States. The largest trade categories were tobacco and plant cuttings. Paraguay's GSP eligible imports for the same period were $21.5 million. Major categories included sugar, methanol and leather products.

Least developed country designation for the CAR: Prior to its suspension from GSP eligibility, the CAR had been designated by the President as a least developed country (LDC), pursuant to Section 504 (c) (6) (A) of the GSP statute. This designation was made based on the United Nations list of LDCs; the CAR remains on the United Nations LDC list. For this reason, the CAR has been reinstated as a least developed country for purposes of the GSP programme. Least developed countries are exempt from application of statutory competitive need limits. CAR imports have not exceeded GSP competitive need limits to date, meaning its LDC designation will have no immediate effect on its GSP benefit levels.

Product exclusions for Chile: Chile's GSP eligibility is being reinstated as it existed prior to its suspension on 28 February 1988, as required by the GSP statute's competitive need exclusion provisions. GSP eligibility had been removed prior to Chile's suspension for Tariff Schedule of the United States (TSUS) numbers 612.03, unwrought black copper, and 612.06, unwrought copper. These products had exceeded the GSP competitive need limits and were thus statutorily ineligible to receive GSP duty-free treatment in 1988.

The trade in these two categories now falls under nine tariff categories in the Harmonized Tariff Schedule (HTS) nomenclature which replaced the TSUS in January 1989. In accordance with tariff conversion procedures developed for all beneficiaries, Chile remains ineligible for GSP duty-free treatment on these nine product categories. Chile also exceeded the competitive need percentage limit on one additional product in 1989, yellow dent corn, with 1989 imports of $9.8 million, or 58.3 per cent of world imports. Had Chile been a GSP beneficiary in 1989, GSP for this product would have been automatically removed effective 1 July 1990. For this reason Chile is also being excluded from GSP on this product.

For the first 11 months of 1990, Chile's exports to the United States of GSP eligible products totalled $130 million. Major categories were seafood, fruits and vegetables, chemicals, tyres, manufactured copper items and furniture.

For any of the above products with trade volumes which fall below the competitive need limit for calendar year 1990, standard redesignation procedures, including an opportunity for public comment, will be followed as part of the 1990 GSP Annual Review now underway.

Technical rectifications

The Presidential proclamation implementing these decisions also makes three additional changes to the Harmonized Tariff Schedule (HTS). The first of these modifies the general notes of the HTS to add a requirement that a product must be the "growth, product or manufacture" of a beneficiary in order to receive GSP. This change was required by the Customs and Trade Act of 1990, and has the effect of requiring imported inputs to be substantially transformed before they may be considered the product of the exporting country and eligible for GSP.

A second change removes from GSP eligibility surgical cotton towels (HTS 6307.90.86), which were recently made subject to the Multi-Fibre Arrangement, and are thus now statutorily ineligible for GSP. The final change makes technical corrections to a prior Presidential Proclamation regarding GSP.